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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000201

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SUBJECT: KMT AND DPP BRACE FOR UPCOMING ELECTION CHALLENGES

Classified By: AIT Acting Director Robert S. Wang,

Reasons: 1.4 (b/d)

**¶1.** (C) Summary: Currently enjoying a dominant position in Taiwan politics, the ruling KMT is expected to do well in two legislative by-elections in March. In early December, however, the Ma Ying-jeou administration will face a much tougher "mid-term exam" when elections are held for county magistrates and city mayors. The December elections will also be a barometer of the opposition DPP's efforts to begin a comeback under moderate Chairperson Tsai Ing-wen. Both major parties face challenges as they brace for battle, the KMT because of public dissatisfaction over the economic turndown and unfulfilled campaign promises, and the DPP owing to factional infighting coupled with the effects of former President Chen Shui-bian's corruption cases. While it is much too early to predict how the December elections will turn out, the DPP has an opportunity to make limited gains, including winning back Taipei County. End Summary.

Minor Test in March Be-Elections

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**¶2.** (C) The KMT is expected to prevail in two by-elections in March to fill Legislative Yuan (LY) vacancies. Miaoli County's first district will hold a by-election on March 14 to replace KMT legislator Lee E-ting, whose election was nullified because of vote buying. The Miaoli by-election will not be a direct contest between the KMT and DPP, however, because the DPP, unable to identify a suitable candidate, is backing an independent who bolted the KMT. DPP Deputy Secretary General Hung Yao-fu told AIT the party is intentionally downplaying this election, which it does not expect to attract much media attention due to its remote location. Pro-Green Soochow University Professor Lo Chih-cheng, who comes from Miaoli's first district, predicted to AIT that KMT candidate Chen Luan-ying -- Lee E-ting's wife -- will win.

**¶3.** (C) The other by-election, in Taipei's Da'an District on March 28, will attract greater attention from the capital-based media. The KMT's Diane Lee, who defeated the DPP's Luo Wen-chia by a 2-1 margin in January 2008, recently resigned from the LY due to controversy over her citizenship. A DPP victory in Da'an is very unlikely; the best showing the party has made in this strongly Blue district was the 37 percent vote share it won in the 2004 presidential election. Nonetheless, Hung Yao-fu said, the DPP will campaign vigorously, attacking the credibility of the KMT over its

failure to address the Diane Lee controversy in a timely and appropriate way. In a separate meeting, DPP spokesperson Cheng Wen-tsang said the party will emphasize the need for a DPP legislator in Taipei City (currently there are none) to have democratic checks and balances.

¶4. (C) KMT Legislator Wu Yu-sheng predicted to AIT that Chiang Nai-shin, his party's candidate in Da'an, will easily beat the DPP's Chou Po-ya, noting that both candidates have been members of the Taipei City Council for many years. Although the pan-Blue New Party is also fielding a candidate (Yao Li-ming), Wu doubted this would affect the outcome. From previous bad experiences, pan-Blue voters realize they cannot afford to vote for a third candidate, which could risk handing the election to the DPP, Wu said. The DPP's Cheng said his party's goal in Da'an is to make a better showing than in previous elections in the district. However, new polling by the pro-Blue TVBS television station indicates that the KMT's Chiang leads the DPP's Chou by a 2-1 margin. If the DPP is able to narrow this gap at all on election day, the results will give a modest boost to party morale.

#### Major Mid-Term Exam in December Local Elections

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¶5. (C) The KMT and DPP are now preparing for the major test they will face in early December, when elections will be held for county magistrates and city mayors, city and county council members, and township and town chiefs. The KMT, then in the opposition, scored major gains in the last round of local elections (2005), capitalizing on then-party chairman

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Ma Ying-jeou's clean image and the dramatic allegations of DPP presidential office corruption. The election dynamics are different this time. Now president, Ma Ying-jeou has lost some luster, as evidenced by his anemic approval rating in public opinion polls, 34.5 percent in mid-February. Moreover, a number of mediocre KMT magistrates who rode into office on Ma's coattails in 2005 have weak records and may be vulnerable at the polls. The KMT, however, has some advantages: strong base organizations in many areas and more resources than the cash-strapped DPP. Currently, the KMT and its allies hold 17 of the 23 cities and counties, while the DPP has just 6, all in southern Taiwan. (Note: The 23 cities and counties do not include Taipei and Kaohsiung Cities, which have a higher status and will hold elections in December 2010).

¶6. (C) There are now 18 county magistrate and 5 mayoral positions up for election in December 2009, but this could change. The KMT government has a plan to merge Taichung City and County, elevating the new city to the same status as Taipei and Kaohsiung Cities. If Taichung City and County are merged, the current mayor and magistrate would stay in office an extra year, and the election for the mayor of the new enlarged Taichung City would be held in December 2010. coinciding with the elections in Taipei and Kaohsiung Cities.

According to DPP Legislator Kuan Bi-ling, Interior Minister Liao Liou-yi, a former magistrate of Taichung County, is pushing strongly for the merger. KMT legislator Wu Yu-sheng said the KMT-controlled LY is prepared to move quickly on legislation for the merger, but he noted there are different opinions within the KMT and the merger would involve ironing out many complex details.

#### Nominations

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¶7. (C) The DPP has selected candidates for 11 of the upcoming 23 races and plans to name the remainder in March, while the KMT plans to name its candidates in three stages between March and June. Campaigning in earnest is expected to begin around June. Both parties will fight to defend their current holdings, the DPP in the south and the KMT elsewhere. However, the two parties are also focused on

trying to win one or more districts away from their rival. The DPP wants especially to recover Taipei County (DPP governed from 1989 to 2005) and Yilan County (opposition governed 1981-2005), and also has hopes in Nantou County. The best chances for the KMT may lie in Yunlin and Chiayi Counties, and the party is also interested in Kaohsiung County, where it did well in the 2008 LY elections, and in some districts where the DPP may not be fully unified.

Taipei County the Critical Race

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¶18. (C) Our DPP and KMT contacts agree that the critical race in December will be in Taipei County, popularly called "Little Taiwan" because a large proportion of its population comes from other areas scattered throughout Taiwan. With 3.8 million people, Taipei County is Taiwan's most populous jurisdiction and geographically it virtually surrounds the capital city. KMT legislator Wu Yu-sheng describes Taipei as worth ten other counties in political significance as well as population. Incumbent KMT Magistrate Chou Hsi-wei has a weak record and consistently shows up near the bottom in public opinion polls on Taiwan's magistrates and mayors.

¶19. (C) DPP leaders hope that former Premier Su Tseng-chang will agree to run in Taipei County, where he was highly regarded when he previously served as magistrate (1997-2004). Hung Yao-fu, the DPP's leading election strategist, said there is a 70-80 percent chance that Su will agree to enter the Taipei County race. Hung stressed the strategic importance of having Su, the DPP's star politician, topping the party's slate of candidates. Regardless of whether he wins, Su will energize other DPP candidates and supporters island-wide, and he will force the KMT to focus most of its efforts on Taipei County, making it easier for other DPP candidates to win elsewhere.

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¶10. (C) The KMT's Wu Yu-sheng suggested both parties are playing a waiting game, hoping to see what the other side does first before deciding their own candidate. According to Wu, KMT internal polls indicate Su Tseng-chang would beat Chou Hsi-wei by 20 percentage points. In his view, the KMT would have to find another candidate to avoid certain defeat if the DPP nominates Su. He added, however, that some within the KMT, including Chou Hsi-wei, do not expect Su to enter the Taipei County race, believing that Su wants to save himself for the 2012 presidential election. A number of contacts have suggested that if the KMT decides to dump Chou, it will probably need to find a senior official position for him as compensation.

Comment

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¶11. (C) As it mounts efforts such as demonstrations and conferences to challenge KMT policies, the DPP will face a number of problems, including very limited party funds, the continued media focus on Chen Shui-bian, intra-party rivalries, and supporters' responsiveness to Chairperson Tsai's intellectual style. The KMT also has its set of problems, beginning with how to deal with the economic downturn and rising unemployment. In addition to the elections described above, KMT party members will be holding an election this summer to select their next party chairman. Although there have been some suggestions that Ma should resume the chairmanship he left in 2006 when indicted for alleged misuse of his Taipei mayoral special allowance, it appears more likely that Wu Poh-hsiung will continue in the post.

WANG